

Message Text

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PAGE 01 BUENOS 00511 212013Z

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ACTION ARA-20

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FM AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EIND, ETRD, AR

SUBJECT: US FERROUS SCRAP EXPORTS

REFS: A. STATE 11571, B. BUENOS AIRES 7674

1. ARGENTINE STEEL INDUSTRY STEEL SCRAP IMPORT FIGURES FOR JAN-NOV 73 ROUGHLY COINCIDE WITH THOSE PROVIDED REFTEL. THEIR ESTIMATE FOR FULL CALENDAR YEAR IS 254,000 METRIC TONS.

2. REASONS FOR SHORTFALL GIVEN BY CENTRO DE INDUSTRIALES SIDERURGICOS (CIS) IN BUENOS AIRES ARE: (A) DIFFICULTIES IN OBTAINING SHIPPING; AND (B) IN PART BECAUSE OF THIS, NEED TO RENEGOTIATE CONTRACTS SIGNED IN ARLY 1973 AFTER SUBSTANTIAL PRICE INCREASES FOR US DOMESTIC SCRAP HAD NEARLY DOUBLED FOB PRICE, WHICH PROVED DIFFICULT, EXPENSIVE AND IN SOME CASES IMPOSSIBLE.

3. IT IS BEGINNING TO APPEAR THAT INDUSTRY EXAGGERATED THEIR REQUIREMENTS FOR SCRAP IMPORTS IN CY1973 IN ORDER TO ENSURE ACTUAL SHIPMENTS WERE SUFFICIENT TO MEET THEIR NEEDS AND IN ORDER TO TAKE MAXIMUM ADVANTAGE OF SUBSIDY PROGRAM GOA INITIATED IN MID1973 INTENDED TO COVER COST DIFFERENTIAL BETWEEN CONTROL PRICE AND CIF PRICE OF IMPORTED SCRAP.

4. GOA PRICE CONTROL ON ARGENTINA FERROUS SCRAP SUPPLIES IS
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PAGE 02 BUENOS 00511 212013Z

REPORTEDLY BEING IGNORED IN PRACTICE AS PRICE CURRENTLY BEING

PAID UNDER THE TABLE FOR SUPPLIES OF GRADE NUMBER 1 IS BETWEEN US\$130 TO 140 PER METRIC TON OR APPROXIMATELY US\$60 PER TON ABOVE CONTROL LEVEL. APPARENTLY THIS IS BRINGING FORTH LARGER LOCAL SUPPLIES THAN ANTICIPATED. IT IS ALSO REPORTED THAT SOMISA, THE MAJOR STEEL PRODUCING FIRM, MAY DECIDE NOT TO CLOSE DOWN BLAST FURNACE CURRENTLY IN OPERATION FOR MAINTENANCE, ONCE NEW BLAST FURNACE COMES ON LINE, IN ORDER TO HELP ALLEVIATE SCRAP SHORTAGE.

5. ACCORDING TO CIS OFFICIAL, RECENTLY CONSULTED BY EMBOFF, NO EVIDENT SUPPLY SHORTAGES HAVE DEVELOPED THUS FAR, AND CIS HAS MADE NO ADJUSTMENT TO FY74 PRODUCTION ESTIMATES REPORTED REF B. WE NOTE THERE HAVE BEEN NO PRESS REPORTS OF SHORTAGES.

6. WE NOTE, HOWEVER, THAT BECAUSE OF DIFFICULTIES OUTLINED PARA 2 ABOVE, IT IS LIKELY THAT A PORTION OF 1973 CARRY-OVER LICENSED BY USDOC WILL ALSO NOT BE SHIPPED IN EARLY 1974 DESPITE 60-DAY EXTENSION OF VALIDITY OF LICENSES.

7. NEVERTHELESS, EMBASSY IN AGREEMENT WITH DEPARTMENT THAT THERE APPEARS TO BE NO PRESSING ECONOMIC NEED FOR ALLOCATION OF PART OF CONTINGENCY RESERVE FOR FIRST QUARTER 1974, RPT FOR FIRST QUARTER 1974, TO ARGENTINA.
KREBS

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